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SUBJECT: Environmental Impact Assessments vs. Economic Development:
Business Still Wins in Guangdong

REF: A) GUANGZHOU 228; B) GUANGZHOU 121

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¶1. (SBU) Summary: Guangdong has set lofty goals aimed at becoming a leader in environmental protection, but a look at how it goes about doing Environmental Impact Assessments (EIAs) suggests it still has a long way to go. According to contacts familiar with the process, auditors can easily manipulate their estimates of a project's impact, developers often have cozy relationships with the private firms that conduct the assessment, and the mechanisms for gathering public comment are flawed. One retired official suggested that the process was a sign of larger problems in a system that still places economic growth ahead of environmental protection. End summary.

Environmental Impact Assessments: "A Bureaucratic Tool"

¶2. (SBU) Although Guangdong seeks to become a leader in environmental protection, the province's EIA system remains highly flawed, according to several of our contacts here. As in the United States, every large project in China -- factory, commercial development, high rise tower, etc. -- must pass an EIA before it receives final government approval. These costly reports (about RMB 300,000 or over \$43,000 on average) can be critical tools for ensuring that development does not have a negative impact on the environment. However, a recently retired official from Guangdong's Environmental Protection Bureau told us that EIAs in China are merely minor legal and bureaucratic hurdles for developers.

¶3. (SBU) The retired official told us that key figures in many EIAs are "made up of random numbers." He said that the formulas set by the State Environmental Protection Administration (SEPA) to establish how much environmental impact each locality can sustain are valid. However, auditors who prepare the EIAs know exactly how much impact a project can have before it will exceed the allowable threshold, and they manipulate their estimates accordingly. Impact assessments always pass and are regarded by EPB officials as nothing more than a "bureaucratic tool," our contact said.

Auditors Cultivate Good Relations and Act Fast

¶4. (SBU) Developers and other firms that need an EIA maintain close ties with the private companies that perform the assessments. This leaves the process open to manipulation. According to Dr. Huang Ping, Director of the College of Environmental Science and

Engineering at Sun Yat Sen University, these companies have flourished in Guangdong as a result of the province's rapid economic development. Auditing can be very profitable; there is no restriction in China on how frequently and/or how often a developer or business can utilize the same EIA auditing company.

Relationships or "guanxi" are important factors as many companies sign contracts with national auditing companies to perform EIA's throughout China. Companies often urge EIA auditors to expedite the process by working overtime so construction can commence quickly.

There is very little motivation for EIA auditing companies, who are paid by the developer, to produce an assessment that indicates the project will have a negative impact on the environment. In fact, Huang of Sun Yat Sen University said that fewer than 5 percent of assessments are rejected each year by the EPB-appointed EIA commissions that review them.

Not Giving the Public a Fair Hearing

¶15. (SBU) The public comment process for EIA's is also flawed. In a recently published paper, Lin Ping, a researcher at the Fujian Environmental Science Research Institute, wrote that the public isn't given enough information about how a project will affect them.

Public opinions are generally collected in questionnaires that are not detailed enough; Lin argued that the government should hold more public hearings to gather opinion instead. He also said that the comments are rarely analyzed and instead the process is more of a procedural requirement than a genuine inquiry. In addition, Lin believes that the public's environmental awareness is weak and most people are only interested in compensation they might receive from projects.

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Economic Growth Still Come First

¶16. (SBU) In addition to problems in the EIA process, the retired EPB official emphasized that urban planning departments at provincial and local-level EPB's need to strengthen their environmental protection efforts rather than appease those with political power. He stated that although the government had publicly put more emphasis on environmental goals, economic goals still got priority behind closed doors. He claimed that that the problem is made worse by the fact that many EPB officials lack any scientific background. Those who do have the necessary technical training are often wooed away by high-paying private firms.

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